

International Capital Flow: How Criminals and Terrorists Use it

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CONTENT

1. *Introduction*
2. *Money Laundering Cycle*
3. *What is Money Laundering?*
4. *Money Laundering Stages*
5. *Types of Money Movements and the Illegal Use of the System*
6. *Willful Blindness*
7. *FATF*
8. *Suspicious Activities*
9. *Sophisticated Hiding Techniques*
10. *Patriot Act of 2001*

INTRODUCTION

Thank you for inviting me here today. It is a real pleasure and honor. Generally, I do not address an audience as esteemed and as smart as all of you. When I received the invitation, my first thought was that I was going to be the dumb one in the room and I was supposed to be educating you. Most of my time is spent in courthouses, jails, lock-ups, and foreign countries involved with criminals, in particular, money launderers. My background includes an undergraduate major in Economics and Accounting at Holy Cross College in Worcester, MA, and an MBA in International Finance at Old Dominion University in Norfolk VA, as well as having attended law school. Although I do not practice law, I have that background as an education.

One of the components of terrorism that obviously became very well known to all of us on September 11 was that of travel. So, for that reason, I would like to introduce a colleague of mine, Paul O'Keefe. Paul heads up the division in our business involving travel investigations of people we are looking for. Additionally, we attempt to locate assets and perform a variety of functions related to our jobs.

For many years, I ran the Drug Enforcement Administration's (DEA) money laundering program in New York City. Basically, that was a program designed to track, follow, seize, capture, and forfeit money to the United States government. For all intents and purposes, I was a money launderer. I was sanctioned to be a money launderer for the United States government for a period of time in order to identify, infiltrate, arrest, and capture those people and their assets. Needless to say, I have been involved in this for

quite some time. I have testified before Congress and have met with Treasury Secretary O'Neil since September 11. For the most part, I refuse to appear on television although I have received numerous requests. I will not do it because of the nature of the business and the dangers associated with the travel that is required in the cases that we are involved in. I was really honored when Rajan Gupta invited me here, so first off, thank you very much.

MONEY LAUNDERING CYCLE

Has anybody ever heard of money laundering? What do you think of it? Money laundering is the conversion of proceeds earned from a defined or specific unlawful activity to an accepted legitimate use or purpose. That is the legal definition. It gets down to semantics and is wordy, but the bottom line is, you are money laundering if you are committing a financial crime and/or converting the proceeds derived from committing any crime through banks, businesses, and different types of instruments that we will talk about.

Who does money laundering? People do it. Money laundering is not done by machines, computers, or inanimate objects. It is people, who with the wrong discretion and intent, decide to get involved in money laundering. The people who fit under the definition of "money launderers" and who get convicted for it are usually involved in terrorism or drug trafficking. A considerable amount of drug trafficking goes on in South America, Afghanistan, and other such places. Drug trafficking contributes significantly to terrorism and the financing of terrorism. It is people who are earning unlawful proceeds, like the drug trafficker or the terrorist, and who are using those proceeds. Therefore, if I were to earn unlawful proceeds and give them to you, to use in your businesses as working capital, it would probably be because you had been unable to obtain a loan. Let us say you have no credit but you want to start a business. In order to do that, you need financing. If I gave you the money, you would use those proceeds. You have a reason to know that they are not coming from a lawful place, but people accept those proceeds anyway. With this excess money, you may decide to buy raw materials from other vendors and instead of sending them a wire transfer or having credit terms, you send them a bag or a suitcase of money. Those vendors are also accepting unlawful proceeds and contributing to money laundering.

The most important component of money laundering is that many people are in denial that suspicious proceeds even exist. Those include people in banks, brokerage houses, and those people you might have heard of in Germany who helped finance 9/11.

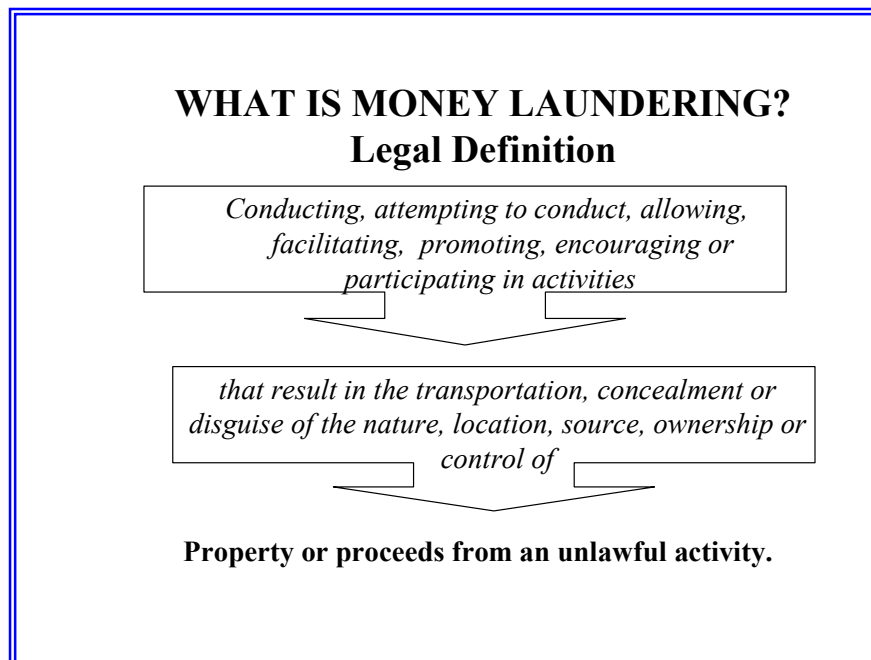
There have been conflicting stories about options that took place just prior to September 11. I have been involved in a number of investigations recently involving large movements of money that occurred on September 10. Some of the individuals involved have now been arrested and are having significant problems with the government. Their future is very much in jeopardy because they denied that the money movements were unusual or were anomalies.

WHAT IS MONEY LAUNDERING?

As we go through this, I would like to tell you what it is that we do at our company, what I did for the DEA, what I still do for the DEA, and what I do for my clients. We track and we do pattern testing and pattern identification. What we are looking for are statistical patterns and algorithmic patterns in the way money flows in the brokerage, banking, financial services, and wire remitting industries. We look for patterns in how criminals move money. The reason for doing that is because there has to be a degree of organization when operating at such a high level, such as the terrorist organizations, drug trafficking organizations, and arms trading organizations. It is not just random or haphazard. There are patterns to what these people do. Picking up on the patterns is what we do and that is something that you folks may want to work on in the future.

Once again, this is just the legal definition of money laundering activities: conducting, attempting to conduct, allowing, facilitating, promoting, encouraging, or participating in activities that result in the transportation, concealment or disguise of the nature, location, source, ownership or control of property or proceeds from an unlawful source.

Each year, the definitions keep expanding because we are trying to capture or encapsulate a better definition for what people are doing. I work on quite a few cases involving terrorism, financing, and investigations of terrorism finances. One of the real problems is that much of the money that is actually used for this purpose is earned in a legitimate way. It is earned lawfully. It is then made available through charitable organizations, donations, and trust development. That is what makes this even more difficult, because unlike drug trafficking, where the crime has been committed and you can track the money flow (which is still difficult to do), we have a situation here, where there has been



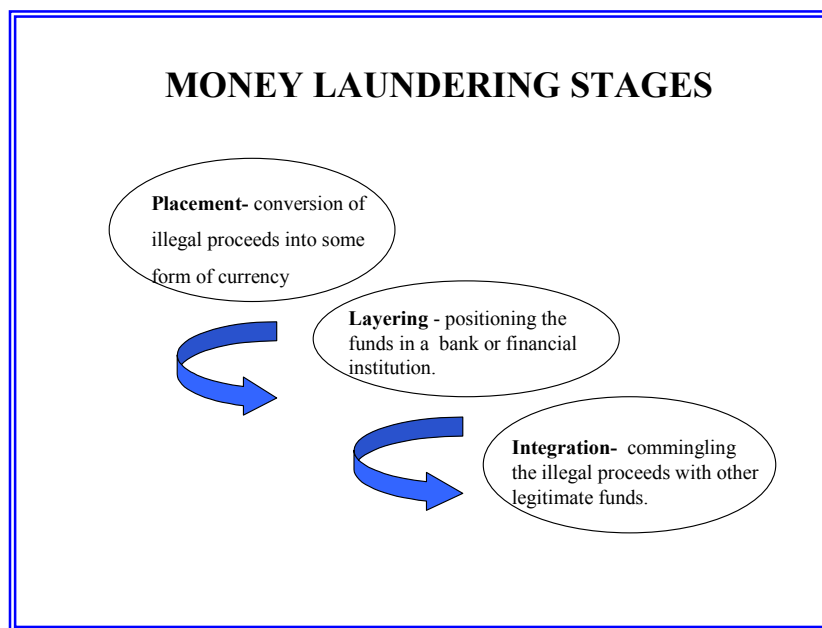
no crime committed. How do we know that they are going to use it for unlawful purposes? There are different techniques that we use to make that determination. It gets very complicated, but suffice it to say, it is a real challenge.

MONEY LAUNDERING STAGES

In the money laundering business, once again from an educational perspective, there are basically three components, the first being the placement stage. In the placement stage, people actually convert money from illegal proceeds into another form, another currency, or credit. In simple terms, they take the money they earn from doing something illegal and they deposit it into a bank account. Once it is in the bank, it is in the general treasury of the bank. What really happens is that the person receives a credit on their bank statement. A conversion has taken place, from something that was illegal to a credit on the bank statement. That is the first stage.

A person does not want to get caught doing this on a regular basis. The money has to keep moving. Movement is very important in the money laundering business. It is very important to understand the concept of money laundering or terrorism and the finances that go along with it. The money never stays dormant. It keeps moving and it has to keep moving.

The second stage in the money laundering movement is the layering stage. When I was a money launderer for the government, I set up bank accounts around the world. I would immediately move the money to offshore locations, overseas, or to bank accounts that had business names on them, store-front operations — different types of places. I would keep the money moving.



Why would I do that? I did that because I knew it was expected of me. I had to make sure that I was servicing my customer. I had to ensure that I was doing exactly what they wanted so I kept the money moving. By layering the money, the funds are positioned in many places. I am working on a case where the money ended up in Brooklyn, NY. The starting point for the money was off the coast of Australia. It went from Nauru into Australia, from Australia to Greece, from Greece to St. Petersburg, Russia, from St. Petersburg to Cyprus, and on to New York. All of this happened in 24 hours. Tracking the movement is a very difficult thing to do, but moving the money is what money launderers do. Once the money is laid in that sort of mechanism, it needs to be pulled out to re-invest in their cocaine labs. They need to pull it out in order to finance a terrorist cell living in Brooklyn, NY. What would they need to do with the money? They need to integrate it back into society. Integration is the third step. What they need to do is pay for rents, food, automobile expenses, taxicabs, and all of those things. The money has to be integrated back into the mainstream economy. For example, if you were the person renting out the apartment in Brooklyn to Mohamed Atta, would you know where the money came from? It started in Nauru, but it has been in several different places. He will write out a check payable to you for \$500 for the rent. It gets very confusing. Even if you just think about it in practical terms, it is still confusing. People are housing terrorists and drug traffickers who are working with terrorists all the time and do not bother to check or find out.

Here are just a couple of examples of the stages of money laundering. Cash is paid into a bank, funds are wire transferred abroad, and false loan repayments are used as a cover for money laundering. What happens in that example is that money was deposited into the bank and wire transferred to the Bahamas. Then, in conjunction with the bank in the Bahamas, they made a deal to continue sending money to the bank in exchange for fictitious loan papers. The bank is a conspirator and the money just keeps being sent in. If the Office of the Comptroller of the Currency (OCC), which monitors transfer activity, questions the transfers, the loan documents are produced. That is one way that people do this.

Money paid into businesses, writing multiple checks, and delivery of checks or cash to other transfers represents another stage of money laundering and it is a big problem in Latin America. I have a business in Panama where we do a lot of business for large risk multi-nationals, trade companies, athletic wear companies, banks, and brokerages. We typically have a drug trafficker who has 20 or 30 people located in New York, Detroit, Chicago, Miami, and elsewhere. They all earn, let us say, a million dollars a week and they will ask 20-40 people to start working the money into their bank accounts. Those people will then send a whole series of checks to one omnibus account or one mini-collecting account. We track these things when we are working on money-laundering cases.

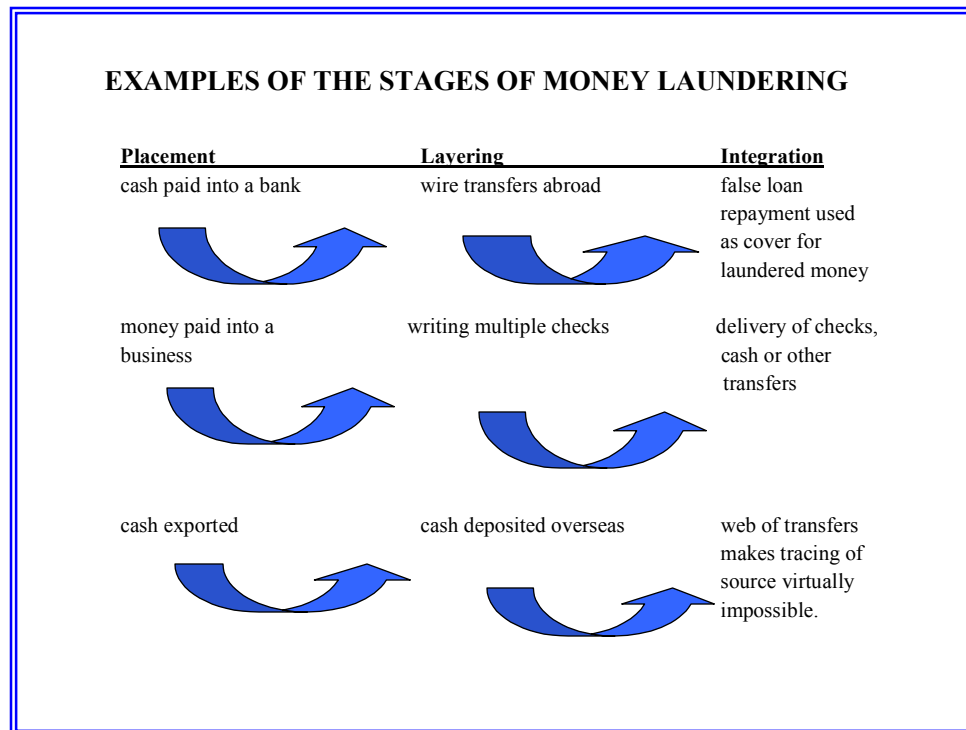
These are the things that you need to think about if you want to help. The payments will come in to one collection point, an omnibus account. At that point, multiple checks will be written. Most of the time, the name of the person whom they are writing the check to

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will be left blank. They will sign blank checks, which soon appear on the black markets throughout the world, because they are dollar denominated instruments coming from Citibank, Chase Manhattan, or other well-known banking institutions. Those instruments are considered extremely valuable in the black markets. They trade similar to securities. A \$100,000 check in the black market, considering the fact that it was probably proceeds from the sale of cocaine or something that earned the money and where the cost of goods on it might have been \$1,000 in retail value, (because that is what they turn the cocaine into) might sell on the black market for a 10-15 percent discount. I could take you right now to Panama and to places like that and show you where we could buy these instruments on the black market. You might negotiate \$85,000 to \$88,000 for a check for \$100,000. It is a \$100,000 check. There is no name filled in because the company left it blank. This is a money laundering technique and is very troubling. Because it is so widely accepted and documented, it just goes on in perpetuity. Financial institutions, such as Chase Manhattan or Citibank, have hundreds of thousands of accounts. The banks microfiche the checks when they are received and the original checks are sent back to the customers who actually wrote the checks. This is just like your checking account. Most banks still send the checks back. The reality is, the banks do not check anything. It is incredible how many times checks will clear the bank and be paid and yet there is no payee. It happens all the time. The banks do not see that as an anomaly.

Another example is cash exported. I do not want to pick on any one nationality or race, and yet I want to be very open about details and tell you the facts. This is the way it is, not my theory, but the banks slip up all the time. When those types of checks start bouncing, they should immediately issue a fee against the accounts. They should be investigating them. It happens very often. In fact, in a major case I recently finished, a major money launderer from Israel and Panama just pleaded guilty. She forfeited 16 million dollars to the government. The bank failed in that case because it failed to investigate why she was averaging \$26,000 a month in overdraft fees on her personal checking account. This went on for approximately seven to eight years. This is the problem with money laundering. Just think if you are the bank with the checking account, think about how beautiful the money laundering business can be. We will talk about how it is very different from fraud and how it is very difficult to investigate and figure out. It is also very difficult to catch the terrorists. The bank is earning \$26,000 a month. The customer has not called once to complain. She is happy and wants to continue writing overdrafts! That was part of her technique of money laundering. From a scientific standpoint, the bank's MIS Department should have picked it up. What the woman would do was take in say \$1,000,000 in massive proceeds. Some of this money was coming in from the Middle East and some connected with the different problems that we are all concerned about going on there. She would then immediately write a check for \$1.1 million and in effect be \$100,000 overdrawn. When a check for \$1.2 million would come in, she would write a check for \$1.4 million. She was constantly in overdraft. What she is telling the bank is that she never wants to get caught with this money in her account. She knows that it is illegal money and if she gets caught with that money in her account, the government will seize the account and would have the opportunity to take it in a court proceeding. However, if they seize an account that is in overdraft, what will



the government receive? They will get the big doughnut. They will get nothing because the account is in overdraft. That is why she did it. That is just one of the different techniques that people will use.

Another real problem exists in Miami where the Customs or Immigration Department has documented that over \$66,000,000 in cash is exported out of Miami airport monthly. People ship money to offshore locations such as Paraguay, which has just adopted the dollar as their currency. Paraguay is in favor of that because whatever currency they had before the dollar is useless. It is good for paying people, financing businesses, etc. Therefore, to use Osama bin Laden's organization as an example, if you are one of the Asian Triads or one of the gangs, you are earning millions and millions of dollars. To be able to have someone to take the money in and accept it in the placement stage is extremely valuable. Therefore, a lot of money goes overseas from where it is engaged in a series of transfers.

TYPES OF MONEY MOVEMENTS AND THE ILLEGAL USE OF THE SYSTEMS

Here are some of the more typical types of movements: wire transfers, checks, money remitters, the underground black market which we just talked about, and charitable organizations.

Wire Transfers

Rajan Gupta asked me to talk a little about the illegal uses of legitimate channels of commerce. Typically, in the wire-transfer business, people will open an international business location from an offshore location. Once again, I am not going to pick on the British Virgin Islands (BVI), but most of the IBCs you see throughout North America and America are starting to spring up in Nauru, Niue, and other places. They come from the BVI, which is a very friendly environment that encourages the purchase of offshore IBC corporations. Usually, it is lawyers from Panama and other such countries that go to the BVI, open up an office, and begin creating shelf corporations. They are both the registered agents and the board of directors. Anyone can go to these offshore locations and buy one. They are advertised on the web and in the *USA Today*. It seems crazy but there is nothing inherently illegal about it. It is just, in talking about money laundering, a link in the chain. Money laundering is about a series of links all connected that keep going. After buying an IBC, they can now go to a bank in New York, present the corporate papers showing ownership of an offshore IBC, and open an account. They even get the benefit of filling out a W-8 form. A W-8 form exempts a person from paying taxes if that person is a foreign resident or an alien business or person. From there, wire-transferring activity is initiated throughout the world and throughout correspondent bank accounts. We will talk a little bit about that. These transfers are large movements of money and they happen very, very quickly. That is one illegal use of the wire transfer business.

Checks

Third party checks are bought and sold. Pre-signed checks are sold in black markets as we talked about before. People counterfeit the Citibank checks beautifully using desktop publishing. It is very easy to do and it happens all the time. One of the things you will see, particularly at the United States Post Office, is a legitimate channel of commerce. Requisition of a payment instrument might be going into the post office and buying a money order. Most people have probably done it at some time in their life. What you will see is an army of people that march in and out of these post offices around the country to purchase money orders – all seemingly disconnected. In fact, I am in the middle of a case in New York that I think has set the record for sequentially numbered postal money orders. There were 814 sequentially numbered postal money orders and over 500 travelers checks. They all came in a single deposit. The bank did not detect it. They just accepted the deposit and everybody was happy. All of these different pipes and techniques end up integrating themselves. That is the concept and it happens all the time. Roger Breeze was just telling me that he has a friend that works at American Express. I was involved in a case a number of years ago, where the number one seller of American Express Money Orders was a hardware store in the Queens section of New York. When we went to the store, their inventory was very limited, i.e., one roll of masking tape, a hammer, and a little bag of nails. The line of people extended out the door. They were there for the sole purpose of purchasing American Express Travelers Checks. I think

they sold two or three hundred million dollars worth of travelers checks in that year alone. It was insanity but that is just the way it is.

Money remitters

Does everyone know what a money remitter is? People from different backgrounds, cultures, and communities will probably know a little more about it than other people, but suffice it to say, Western Union is a money remitter. They engage in making payments on behalf of people who are not account holders. They are clients in the true sense of the word but they do not fill out applications, etc. These people come in off the street. What they do, for example, is tell the money remitters that they have fifty dollars that they need to send to a relative Colombia. They ask if it can be done. The money remitter advises that it can be done. They now have the right relationship. These money remitters are located all over the world. This is something that the terrorists, Atta and company, used quite extensively. The money remitting business engages in massive money movements. We have two clients who are money remitters and we have extensive oversight into each of the payments. We review patterns of the payments, what cities they are being sent to, timing (dates of the month), the validity of names, and we match them up. Our clients actually own a phone store, so we match up the payments with telephone traffic to determine if there is criminal activity involved. There is a lot of synergy between money moving and telephone traffic.

The money remitting companies in most states in the United States have a requirement to be licensed by the State Banking Commission. However, not all states have that requirement. That is exactly what I spoke to Congress and Treasury Secretary O'Neil about following September 11. They were talking about the Hawala, Black Market Peso, and the Chits system. These are all forms of money remittance or money movement systems — some are regulated and some are not. The businesses that are in countries that are regulated have to follow the Bank Secrecy Act while the businesses that are not in those states do not have to. The problem is that since there are so many of these entities, the government's enforcement of the Bank Secrecy Act is limited. That is terrible because there are so many of them and it cannot be done. Therefore, it is really almost unregulated. There is upwards of six to seven billion dollars a year in the money remitting business in just the United States alone. What I can tell you from our clients' perspective is that it is extensive. The problem is massive. The money remitting system is a legitimate channel. Western Union is a licensed entity as is Thomas Cook. They make payments to correspondent accounts or to a network of banking companies. As Rajan mentioned earlier, you do not really know who is using these systems because they are not account holders. It is not like going through the bank or signing up with the electric company or brokerage where you have an account. They do not have an account. They just show up — cash and carry.

It is a very global world now and this has become a reality for the United States. Many cultures just do not believe or do not have the same level of trust in a piece of plastic. Yet, those same cultures of people are engaging in billions of dollars in trade. It is

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cultural. For me, I never have more than ten to fifteen dollars in my wallet. Other people will not walk around unless they have two thousand dollars. In Colombia and Venezuela, you will find that because they do not trust their governments or their local currencies. The political instability also plays a big role. We were unable to go to Venezuela recently because of the instability. It is a lack of trust.

Underground systems

The Hawala from the Middle East and South Asia, the Black Market Peso from South America, and the Chits from Asia - these are the three names that are common and we read extensively about. The reality is, they are all similar. There are variations, such as cultural variations, but they are systems of trust. It is a system of trust where people engage in the exchange of money. I have a hundred dollars and I have a friend in Teheran who has \$100 worth of rials. Exchanges or trades are not permitted between Iran and the United States. However, the exchange of money is accomplished through a series of people, whether it is by someone who owns a gas station, a bakery in Teheran, a convenience store in the United States, or a rug shop in Iran. Each of the two entities that are holding the money has customers who need that foreign currency in the other direction. The person in Teheran has a son who is going to school and he needs to pay his tuition so he needs to find \$100. The person here in the United States wants to give his mother some rials in Teheran because she has to be able to buy food. How is this going to happen? How will this take place so that nobody knows that trading is involved? All communication technologies, telephone traffic, faxes, Internet, and e-mail facilitate this. Phone calls are made. One person tells his mother to go to the rug store in Teheran and say 1-2-3 and she will receive her money. The student in Boston is told to go to the convenience store and say 4-5-6 and he will receive his \$100. The middle person makes a profit by taking a certain percentage commission to facilitate the transaction. That is how it works. That is one very simple example, however, the permutations on this get very elaborate. They all need currency in different areas. Today, they have more currency here than they have over there but tomorrow they need it in opposite directions. Therefore, the CFO's will swap money. I used to do that when I first completed my MBA program. I worked for a very large company and we would swap money with other companies all over the world without actually remitting across boundary lines. You would engage in money remittance, but you would not send it through banks, you would send it that other informal way. If you follow what I mean, it never crosses the ocean.

Charitable organizations

Charitable organizations are a real concern with respect to terrorist activities. Why? Simply stated, as the world gets more global, people become more tolerant and understand others cultures and religions better, as everyone should be doing. Especially if they do not understand or are not sure what a charitable organization is doing, but because it is a Muslim, Sikh, or Irish Catholic group, people do not want to be critical of them. They do not want to admit that they do not know what those people doing because

it could be due to ignorance on their part and perhaps these organizations are doing some good. You really have to be careful about these issues. The problem is that if someone is doing something wrong, there are no checks and balances because most of us do not want to say anything bad about something that we are not sure of. It is also a tough game for charitable organizations. They start out by doing the right thing. Unfortunately, some charitable organizations recruit students and then they begin to remit money under their names. Many of those students are never aware that this is happening.

We have worked on cases in South America, which involve church organizations. What they do is get church organizations in the States to start collecting money on their behalf. Unlawful proceeds or drug proceeds are laundered by using the names of the people in the congregations when they take the money to a money remitter. So, money is remitted under the church parishioners names or under the students names from the charitable foundations. These students and the church parishioners do not know that they are being used for illegal activity. How would you know if someone was sending money through the Western Union using your name, address, and phone number? You would never know. It just goes on and on. It actually looks perfectly legitimate. This illegal use is really a disaster because people are afraid to come down heavy on the charitable organizations, yet this is a great way to launder money.

WILLFUL BLINDNESS

Willful blindness is basically the concept of looking the other way. An example of this is say I am working here at Los Alamos. Rajan shows up to work every day and his office is next to mine. Each day that you pass by his office, you notice that he is opening a suitcase and is counting packs of twenty-dollar bills and hundred-dollar bills. What is

WILLFUL BLINDNESS

BEWARE!! DON'T LOOK THE OTHER WAY



- ✓ The legal equivalent of knowledge.
- ✓ Reckless disregard, while performing due diligence, as to a customer's account, identity, or source of funds.
- ✓ Failure to comply with the "**know your customer**" policy.
- ✓ Failure to report a suspicious activity or transaction.
- ✓ Failure to maintain required records.

going on here? You walk by but you do not say anything. Then a week later, Rajan has this beautiful Mercedes in the parking lot and his wife shows up in another Mercedes. He is working for the government and I am sure that he makes a nice paycheck, but you know that he is not making half a million dollars a year working in Los Alamos. Then all of a sudden, a building blows up and the evidence leads to him. They are then going to call every one of his co-workers in for questioning. Since I had an office next to his, I would be asked if I had seen anything unusual. I would tell them that I had seen him counting all this money. I would then be asked what I had done about it. My answer would be nothing — I did not want to get involved. I was being willfully blind. Under the present United States law, a person will be held accountable to a standard of knowledge — I knew or I had a reason to know. That is in itself big problem but it is the only way to get people involved and to actually do something. Whether it is, “Hey Rajan, I know you are a cocaine trafficker, but do you think you can do it somewhere else?” Or, “Rajan, what is going on here? This has to stop.” He might say that he has a gambling problem and maybe I can end up helping him out. The problem with being willfully blind is that it is the legal equivalent of knowledge. In the banks, they call it “know your customer” policy.

Here is an example of an American Express Bank employee who was convicted and sentenced to 120 months in prison. As you all know, 120 months amounts to 10 years and severe monetary penalties. There was no direct evidence that the employee knew the funds were tainted. It was all circumstantial evidence showing that the employee had failed to follow the banks “know your customer” policy and had falsified records to appear to conform to policy. He failed to properly complete due diligence on the

WILLFUL BLINDNESS

Reality Check

UNITED STATES V. GIRALDI, 86 f. 3D 1368 (5TH Cir. 1996)

- ✓ An American Express Bank International employee was convicted and sentenced to 120 months in prison and severe monetary penalties.
- ✓ There was no direct evidence that employee knew the funds were tainted; there was only circumstantial evidence showing that the employee:
 - ✓ Failed to follow the bank’s “**know your customer**” policy.
 - ✓ Falsified records to appear to conform with policy.
 - ✓ Failed to properly complete due diligence on customer and verify source of funds.
- ✓ The bank was subjected to substantial forfeiture claims, which it eventually settled at a cost of nearly \$36 million (\$7 million fine; \$7 million in forfeited funds; \$3 million for employee training; and \$19 million in claims related to assets seized, which were securing a loan from a bank).

customer and verify the source of funds. The bank was subject to substantial forfeiture claims and settled at 36 million dollars. You can read the rest of it. It gets serious very quickly.

When I laundered money for the government, I laundered 11 million dollars in four and a half years. We seized about 252 million dollars. So, from a Wall Street perspective, this was great. Who gets return on their money like that? Nobody does. It was fabulous. Nevertheless, the reality is that it is a tough game. The numbers are big and the money is big. For those of you who are involved in the brokerage or banking industries, or if you are going to help through mathematics, algorithmic studies, or pattern identification, please remember that there is much more help that is needed, more than you can even imagine.

FATF

FATF	
Non-Cooperative Countries/Territories (NCCT) 02/01/02	
• Cook Islands	• Myanmar
• Dominica	• Nauru
• Egypt	• Nigeria
• Grenada	• Niue
• Guatemala	• Philippines
• Hungary	• Russia
• Indonesia	• St. Kitts and Nevis
• Israel	• St. Vincent and the Grenadines
• Lebanon	• Ukraine
• Marshall Islands	

The Financial Action Task Force (FATF) lists those countries/territories that are non-cooperative. Unfortunately, we give a lot of money to some of those countries. We give them a lot of money, yet they are not cooperative on these issues. One of the first things that I do, to give you an example of the techniques that we use, is that whenever I am monitoring large-scale bank transfers, I run names. I interface names with the database to see if the transfers are going to the non-cooperative countries. That is one way to sort the data. Then we go to an additional source. We sort it by looking for those countries that we know are non-cooperative regarding the money-laundering problem. These are places like Nauru that are breeding grounds for terrorists, and criminals.

SUSPICIOUS ACTIVITIES

Just because something is suspicious does not mean it is illegal. Therefore, in the legal community, it has to be proven. It has to be factually proven in the scientific community.

Following is a list of types of things that go on. Different types of examples and cases are cited.

EXAMPLES OF SUSPICIOUS ACTIVITIES

As to a customer's Identity or Source of Funds



Customer is reluctant to provide information in response to his/her identity, principal or ongoing and legitimate business activity.



Customer implies or suggests that he/she does not wish his/her identity revealed to regulatory authorities.



Customer requests information regarding how to conceal transactions from government authorities.

EXAMPLES OF SUSPICIOUS ACTIVITIES

As to a customer's Identity or Source of Funds



Customer is included in publicly available records or other reliable or other reliable sources for criminal, regulatory or civil fraud violations



Customer opens a number of accounts under one or more names and regularly makes inter account transfers without apparent legitimate business or commercial purpose.

SOPHISTICATED HIDING TECHNIQUES

EXAMPLES OF SUSPICIOUS ACTIVITIES

As to a customer's Identity or Source of Funds



Customer account shows unusual wire transfer activity, particularly if it is to or from locations not typically associated with the customer's home country or business.



Customer engages in a high volume of cash-intensive transactions (including traveler's checks, cashiers' checks or money orders).



Customer makes payments using multiple monetary instruments, especially if instruments are sequentially numbered or below reporting threshold.

EXAMPLES OF SUSPICIOUS ACTIVITIES

As to a customer's Identity or Source of Funds



Transaction is inconsistent with known legitimate business, the account opening documents or the normal pattern of investments for that type of customer.



Customer tries to make more than one transaction with currency that is just below the \$10,000 threshold for filing a report.



Customer buys and sells securities or commodities with no discernable economic purpose.

There are some different terms I would like to define.

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- Starburst - A single sum of money that is moved into a financial institution, divided into dozens of fragmented pieces or accounts, and then credited to multiple pre-existing dummy accounts. Money is then brought together again, normally at a third or fourth financial institution. That is what is called structuring. The money is brought in, broken up over 30-40 accounts, remitted out, then somewhere down the line, it is brought back into a hold.
- Hopscotch – Money is moved from one pre-existing account to the next around the world in short periods and involves 10-20 banks. Money then comes to rest in a holding offshore haven. This is what I described earlier.
- Ricochet – Money ricochets at lighting speeds through electronic funds transfers until it comes to rest in a deposit account. This is very typical of Switzerland. That is done for evidence gathering or jurisdictional purposes. We can see the movement from Boston to New York, to Los Alamos, to Miami, and then all of a sudden, it goes to Switzerland. Who is going to give you the records in Switzerland? Well, we have agreements between the countries or you think there are agreements between countries, but in the real world when you start asking to enforce these agreements, they fall apart. People just turn around and say that they do not really know. This is the real world and this is what happens. It is very difficult to get cooperation and that is why money launderers use the Ricochet method.
- Boomerang – Money moves by electronic fund transfers for a period of 1-2 months until it comes back to the point of origin.
- Sausage – Money is moved and transformed through different accounts, changing account names, ownership, and sizes.

PATRIOT ACT OF 2001

The last thing I would like to mention is that the Patriot Act of 2001 was signed by President Bush on October 26, 2001. I was happy that one of the issues which was promulgated in the legislation is that they actually adopted the language that I suggested to them in order to create a law that will address the correspondent bank accounts and put some prohibitions on correspondent accounts.

Patriot Act of 2001
Key Anti-Money Laundering provisions:

- ✓ **Financial Institutions must undertake enhanced due diligence procedures for correspondent accounts and private banking accounts.**
- ✓ **Prohibition on United States correspondent accounts with foreign shell banks.**

I could talk for days on this and the reality is that there is so much that goes on in all parts of the world and all the time. Unfortunately, I see that my time is up so I will stop here. I hope you are going to help out for, believe me; there is a lot of room for help.

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John Moynihan is a partner and founder of BERG Associates. He has pioneered the design of monitoring and compliance programs to prevent and detect fraudulent financial schemes and is an expert investigator of financial crimes.

Mr. Moynihan has extensive domestic and international experience investigating money laundering and associated financial crimes. He most recently has worked as a Senior Manager at a big six accounting firm as the firm's specialist in money laundering matters. Mr. Moynihan has dedicated his career to the disruption of the surreptitious flow of illegal proceeds through financial as well as non-financial and multinational organizations. Mr. Moynihan has counseled multinational corporations and government employees dedicated to anti-money laundering initiatives in the United States, Latin America, Africa and Europe. Mr. Moynihan has formerly been employed with the United States Department of Justice, Drug Enforcement Administration, as an Intelligence Specialist dedicated to financial analytical support in developing money-laundering investigations worldwide.

Mr. Moynihan received his B.A. in Economics from Holy Cross College. He is a magna cum laude graduate of Old Dominion University where he received his Masters in Business Administration with the specialty of International Finance.